

## **Micro loans; a solution to the plight of Africa's impoverished**

James Larson  
National University

James Guffey  
National University

Juan España  
National University

### **ABSTRACT**

Many countries in Africa are torn apart by genocide and disease. The result is that millions of people are left impoverished and with no hope for a future with any quality of life. Genocide and AIDs have left orphans and single parent families to try and fend for themselves in cultures that rely on the husband/father as the core wage earner. The slums in Nairobi, Kenya, are populated by millions of inhabitants who thrive on a meager sustenance, wondering each day where their next meal will come from. In Bunia, Congo, thousands of orphans are starving and lack even meager medical care. The genocide in Rwanda killed almost a million people, leaving orphans and unskilled single mothers trying to do the work left behind by their slain husbands.

Micro loans are one solution to the plight of the impoverished. The loans give an opportunity to slum inhabitants and single mothers with children to improve the quality of their lives and give them back the self esteem that they lost when circumstances forced them into a situation of not being able to fend for themselves. These loans give the opportunity that many of inhabitants of the slums are looking for and at the same time teach them to fend for themselves without trying to seek aid from a government that doesn't have the money to give the needed aid.

The primary purpose of this article is to examine the benefits of micro loans to the impoverished and the organizations involved.

Keywords: Africa, genocide, micro loans, poverty, slums, impoverished, orphans

## INTRODUCTION

The problem of the impoverished and down trodden in Africa is not a new one. Many African countries are still undeveloped and suffer from civil war, genocide, life threatening diseases and starvation (Russell, 2004). Many African tribes still live in mud and manure huts with no purified water, no sanitized toilet facilities and with the only source of food being what the land provides for them. Many tribes are nomadic, constantly moving to where the food and water source for the animals and tribal members is better (Hoppe, 2003). Without modern irrigation systems the tribes depend on the weather to water their crops and feed their animals. In times of drought the food source diminishes for both animals and people. When the rain is not there to replenish the food sources for the animals, many of them die. This in turn diminishes the food source for the tribes. With the lack of nutritional food the immune systems are weakened and the tribes become even more susceptible to diseases (Hoppe, 2003). The life expectancy of the newborn is very low, with simple medical problems such as infections being fatal (Rosenberg, 2007). Lack of nutrition contributes to the problem. Education plays an important role for the people to understand environmental and health issues. (Ripple Africa, 2009) Illiteracy in some parts of Africa is at 62% (USAID, 2005).

For years industrialized nations have given aid to Africa in the hopes of solving these problems (Vásquez, 2005). Doctors have formed organizations to bring medical care to help countries that are lacking in even basic care (Doctors Without Borders, 2010). People are dying from diseases that if treated, would not be fatal. Lack of food and nourishment is a major problem. Many private organizations donate food and clothing (Charities in Africa, n.d.). Nations around the world give massive aid to Africa (Shah, 2009). That aid includes food, clothing, medical supplies, and military assistance. But the problem does not go away and conditions in many of the countries have deteriorated due to different factions fighting for control (Vásquez, 2005). Most citizens of modern industrialized nations would be horrified at the extent of the suffering the people of Africa live with on a daily basis.

## LITERATURE REVIEW

The main focus of this paper was on organizations that do business in micro loans. Most of the organizations participating in micro loans are non-profit charitable organizations. Organizations included in this study are; Daystar University, Kenya, Africa, Hope Centers for Children of Africa, Bunia, Africa; RIPPLE Africa, Malawi, Africa; and Land of a Thousand Hills Coffee, Rwanda, Africa.

### **Daystar University:**

Daystar University operates from three locations: the main campus in Athi River, the Nairobi campus and the Mombasa campus. The university offers undergraduate and graduate degrees and a Ph.D. in Communications. Their mission is to develop managers, professionals, researchers and scholars to be effective, Christian faith and holistic learning for the transformation of church and society in Africa and the world. In an effort to accomplish this mission, the university assists their graduates by financing businesses

through micro loans. The students they give their micro loans to are required to start businesses within local communities. In this way the students are contributing back to society and helping further the goals of the university. Many graduates have a desire to immigrate to industrialized nations once they earn their degrees. By keeping the loans localized, the university encourages the students to help develop their own communities (Daystar University, n.d.)

### **Hope Centers For Children Of Africa:**

Hope Centers for Children of Africa, Bunia, Africa, is a non-profit organizations dedicated to helping widows and orphans in Africa. Genocide and civil war in many African countries has led to huge populations of widows and orphans with no means to provide for their basic needs. Hope Centers for the Children of Africa in Bunia is a way of providing hope where there otherwise would be none. Hope Centers also offers micro loans to these widows so they can start their own businesses and be self sufficient (Glenn Mork, personal communication, 5-10-2009).

### **RIPPLE Africa:**

RIPPLE Africa is a United Kingdom charity based organization that is based in Malawi, Africa. The goal of this organization is to keep administrative costs at a minimum through the use of volunteers. The main base in Africa is at Mwaya Beach where the volunteers stay. RIPPLE Africa is very clear in their philosophy of helping people who help themselves. They are not a charity that will continue to promote a welfare state, but rather they are there to make things happen for the people that they deal directly with in the local communities. They are also very involved in the healthcare and education of the local Mwayan's. They are also helping the environment by being actively involved in helping to restore the forest by tree planting. They believe they are giving the people an opportunity to start up viable businesses by providing them with micro loans. To assure the loans are paid back they have established some pilot projects to that they can learn and understand the business they are involved with. They are then able to give valuable guidance to the people who will apply for loans in the future (Ripple Africa, 2009).

### **Land Of A Thousand Hills Coffee:**

Land of a Thousand Hills Coffee is another organization that is helping the impoverished in Africa. "Land of a Thousand Hills participates in Community Trade, a term coined to mean paid for with higher-than-fair trade wages, and where investment in the farming community is a top priority. Their program includes special projects which include building a sustenance farm for the region's malnourished orphans, creating soccer programs to promote community and coffee education, giving microfinance loans to entrepreneurs, lending coffee bikes to ensure safer and more efficient travel, and donating shoes to farmers and their families" (Land of a Thousand Hills, 2009).

In April 1994, Rwanda (an African country half the size of the state of Maryland) experienced one of history's most atrocious genocides. In just 100 days, one million

ethnic Tutsi and moderate Hutu sympathizers lost their lives to the hands of extremist Hutu militia. Indescribable actions of hate were fueled by years of ethnic tension, a division created by European colonists that chose to pit Rwandan Hutu and Tutsis against each other in an effort to control the country from within. The 1994 genocide that left so many innocent people either dead, orphaned, or widowed has now become the focal point of the global community. In 2001, the founder of Land of a Thousand Hills recognized a way to help the Rwandan people. The introduction of a specialty coffee would be a simple and real way to bring the warring tribes together. They could use the profits from the coffee to rebuild their homes and to work together on bring peace to their land. (Land of a Thousand Hills, 2009).

## **BACKGROUND OF AFRICA MICRO LOANS**

Slum Tourism or poverty tourism has been around for many years. It is also known as township tourism or slumming and is a form of tourism where tourists go to less developed places to witness people living in indigence. Slum tourism travel tours are prevalent in places like Africa and India. Places that have had natural disasters such as hurricanes, earthquakes and tsunamis have become popular places for slum tourism. The United States experienced slum tourism after Hurricane Katrina wreaked havoc in New Orleans. Many people flocked to Louisiana to witness the carnage caused by the hurricane. Critics say slum tourism is similar to a kind of voyeurism where people who are less fortunate are exploited for those who have plenty. They take their pictures and videos of the hapless inhabitants and leave them nothing in return. Critics say poorism is likened to a kind of voyeurism, exploiting people less fortunate, snapping pictures and leaving nothing in return. Some of the slum tours do use some portions of the profits from their tours to help out in the slums, but the return on the investment is minimal (Poverty Tourism, n. d.)

Slum tourism started in Rio de Janeiro in the early 1900's. The most popular locations for these tours are in Buenos Aires, New Delhi, Johannesburg, and Nairobi. This has become a popular genre of "reality tourism" also called "safe-danger" or "controlled edge" tourism. Obviously the same ethical arguments exist as to how these tours are helping the cause of the slum residents or if they are only promoting more of these types of tours that do nothing as to the conditions the residents of the slums live in. Supporters claim that the tours can help bridge the bridges between the educated traveler's worldview and can help generate support for the local communities. They believe that tourists witnessing the child soldiers and war zones can help raise political awareness to the conflicts that continue to ravish African communities. Even if this were true, it does not take away from the fact that the local residents of the slums often resent the tourists and believe they are self-serving and cause more strife in the region rather than help reduce it (Sweeney, 2007). Who can blame them for feeling this way? Why would anyone want to be an object of tourist visiting the neighborhood they live in, just so the tourists can say they visited a large slum area of some African country? The slums of Nairobi, Kenya, Africa, were visited in 2005. Literally millions of people were living in small wood shacks with no electricity, running water, or sanitary conditions of any sort. A handout of a few dollars to a slum dweller was not a solution. Nothing would

change the slums of Nairobi by a few dollars given by tourists. The solution required something more permanent than “slum tourism”.

One solution to the problems that impoverished African nations face is the use of micro loans. Micro loans are loans for as little as \$5.00 to a few thousand dollars made to individuals to start their own business (Levy, 2009). The Adventist Relief and Development Agency (ADRA) is a USAID sponsored organization that brings agriculture techniques and education in business management to the poor in Africa through the use of micro loans. They teach basic literacy skills and use the micro loans as a tool to help promote food security in Middle and Upper Guinea. They have given loans to women’s and men’s agricultural co-ops prior to planting season so the recipients of the loans can buy improved seeds and tools that they otherwise would not have been able to do. This in turn helps the farm plots to be more productive, producing a higher yield, which in turn puts more food on the table and produce in the market place (USAID, 2005).

### **CASE STUDIES:**

#### **Daystar University:**

Daystar University is an inter-denominational educational institution located in Nairobi, Kenya. It is very well known for its high standards in research and teaching and for its approach to higher education. The campus has a vibrant community life with the student body made up of students from various countries in Africa, Asia, and North America. Most of the students are from Kenya with many of them coming from the local tribes in the country. The university has a very high graduate employment rate and is one of the best in Kenya. Their main campus is located in a scenic setting at Athi River less than two hours from Nairobi. They have two other campuses in Nairobi on Ngong Road and Valley Road junction and in Mombasa on Moi Avenue in Apollo Insurance Building (Daystar University, n.d.) .

Recipients of micro loans funded by Daystar University were interviewed during a 2005 visit to the slums. One such recipient of a micro loan was a Coca Cola distributor. He began his business with the help of a micro loan sponsored by Daystar University in Kenya. The university would issue micro loans to their graduates to start small businesses. By giving loans to graduates who remained in Kenya, the university was encouraging the graduates to remain in Kenya to help the impoverished in Kenya. The Coca Cola distributor had expanded his distributed ship to a large portion of Nairobi. He currently has profited to the extent that he is building his own home in Nairobi. This is a real success story. He was a past slum resident living on a dollar a day, if he was lucky, to owning his own business and building his own home for his family outside of the slums.

A furniture business funded by a micro loan from Daystar University was also visited. The entrepreneur started his business with a \$10 loan and has expanded to be another self sufficient business.

### **Hope Centers For Children Of Africa:**

Glen Mork is Executive Director of Hope Centers for Children of Africa, Bunia, Africa. In an interview with Mr. Mork he stated that his organization loaned as little as \$50.00 to widows. The widows invest the money in whatever business they want to start. They then resell the product they buy and pay the loan back at a rate of five dollars a month. They have over 100 widows in their program and all have been paying on time, every month (Glenn. Mork, personal communication, 5-10-2009).

One issue with micro loans is the success of the business. If the business is not successful, the loan is not paid back and the business does nothing to help the recipients of the loan. Those who seem to be the most successful are those who join forces and work together. In one instance, ten women formed a company. They were able to purchase a grinder. They purchase maize or grow their own and grind it into flour. They sell it at various markets in and around the Bunia area. This business is doing quite well and they are able to save a small percentage each month. Others businesses have done ok but run into trouble when illness strikes or distractions occur and money is stolen (Glenn. Mork, personal communication, 5-10-2009).

### **RIPPLE Africa:**

RIPPLE Africa is another organization that helps the poor in Malawi, Africa, by providing micro loans. The future of African countries cannot be decided on aid alone. "Aid in the past just has not worked, and people in Malawi are poorer now than they have ever been. RIPPLE's philosophy of providing a hand up rather than a hand out means that they are trying to enable Malawians to help themselves. In order to do this, there are two components that are vital. The first is money and the second is food. To generate food and money, you really need business and trade but the rural Malawians have no money to get started and, invariably, the sort of businesses that they can start up are to do with farming of one type or another" (Ripple Africa, 2009).

### **Land Of A Thousand Hills Coffee:**

Another organizational success story is Land of a Thousand Hills Coffee. This organization harvests coffee from two farming cooperatives in Rwanda. One cooperative, "Buf Café, formed in 2006, provides work for more than 2,000 farmers. Owned by Epiphany Mukashyaka, a widow who became Rwanda's first female entrepreneur after the genocide, Buf Café has two locations in southern Rwanda. The coffee from Land of a Thousand Hills Coffee is grown in Rwanda and cultivated by hand to ensure only the best beans are used. The coffee is cultivated at an altitude between 1785 meters and 1945 meters" (Land of a Thousand Hills, 2009).

The other cooperative is "Coadeka-Bukonya Cooperative. Formed in 2007, this cooperative has only 110 farmers in its membership. Bukonya, a northern region of Rwanda, was left out of nearly all reconciliation efforts after 1994 genocide. Land of a Thousand Hills Coffee was the first organization to implement economic and community development. The cooperative, presided over by Pastor Murindahabi Ildephonse, cultivates its beans at altitudes between 1735 meters and 1750 meters. Although the

region is now called Muzo, Gakenke, "Build Bukonya" is still an active project of Land of a Thousand Hills. The geographic distance is not the only thing that makes this coffee amazing. The altitude and fertile volcanic soil, although exotic, are not the only factors that make our coffee good. The true distance of these beans, the real journey, is that they traveled a road of forgiveness. Coffee beans from Land of a Thousand Hills represent reconciliation. In the same way you come together with friends over a cup of coffee, farmers torn apart by genocide are coming together in their coffee-growing community, are learning to forgive, and are restoring the relationships that once divided their country. Great healing is taking place" (Land of a Thousand Hills, 2009).

"In an effort to change the coffee industry, one of the most exploitative in the world, Land of a Thousand Hills participates in Community Trade, a term coined to mean Directly Traded, paid for with higher-than-fair trade wages, and where investment in the farming community is a top priority. Their program includes special projects which include building a sustenance farm for the region's malnourished orphans, creating soccer programs to promote community and coffee education, giving microfinance loans to entrepreneurs, lending coffee bikes to ensure safer and more efficient travel, and donating shoes to farmers and their families" (Land of a Thousand Hills, 2009)

## **BENEFITS OF MICRO LOANS**

Micro loans not only benefit the individual, but can also benefit the community. Jamii Bora Trust in Kenya has teamed up with an American nonprofit group to start one of Africa's first ecological friendly towns. The town was built with micro loans and about 2,500 families plan to live there. The town is located in Kaputei and most of the families are from the slums from nearby Nairobi. All of the families moving to Kaputei will be able to pay for their homes from finances received by micro loans (Majtenyi, 2209). There are two large slum areas in Nairobi with each containing millions of inhabitants. These slums of Nairobi are said to be Africa's largest informal settlement. The people living there earn less than a dollar a day and do not have access to running water or electricity. Without the assistance of micro loans, these people have little hope of bettering their lives. Tribal members supply the bricks and construction materiel needed to build the homes. The town is self sustaining with its own water supply. The town, built by the poor for the poor, also has its own schools and other services. The town is located on a 160 acre parcel about 36 miles from Nairobi (Majtenyi, 2209).

There is truth to the saying that if you provide someone with food you feed them for the moment, but if you teach them how to provide their own food, they feed themselves for life. This is what these organizations are accomplishing. By providing the impoverished with micro loans, and teaching them how to run a business, the poor will provide for themselves.

## **RECOMMENDATIONS**

Research on micro loans and aid to Africa has shown that a viable solution to helping African communities is to get involved in organizations that are dedicated to helping the citizens of African nations to learn to help themselves. Research has shown that although government run aid does indeed help, the solution is merely a band aid

approach. Government and foreign aid still leaves the individual without any education on how to survive on their own once the aid is no longer coming in. The cost of running these programs is also immense with most of the money being spent on overhead.

Micro loans are a long lasting solution for the African people. Through the use of micro loans, the people can be self sufficient and pass on the skills they have learned to future generations of Africans.

## CONCLUSION

The problems African nations face with civil war, genocide, and being impoverished are not going to disappear in the near future. Government aid to these nations and peoples are a necessary part in ending the civil wars and genocide, but they are not a solution with any lasting effect. A true solution to the needs of the African people needs to be a joint effort by governments seeking peaceful resolutions and private organizations that are not just giving a hand out, but a hand up for the citizens of Africa. Individual can participate by supporting organizations that give micro loans and organizations that are helping the people of Africa, and not just the governments. True and long lasting solutions for African nations are programs that educate and help the individuals, for it is through the individuals and communities that lasting changes will take effect.

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